MULTIMEDIA UNIVERSITY

STUDENT ID NO

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# MULTIMEDIA UNIVERSITY

# FINAL EXAMINATION

**TRIMESTER 1, 2022/2023 (TERM ID 2210)**

## BBF3094 – CREDIT MANAGEMENT

(All sections/Groups)

6 FEBRUARY 2023
2.30 p.m – 4.30 p.m
(2 Hours)

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## INSTRUCTIONS TO STUDENT

1. This question paper consists of 2 pages.
2. Attempt **ALL** questions. The distribution of the marks for each question is given.
3. Please write all your answers in the Answer Booklet provided.

## QUESTION 1

According to Koong Lin Loong, treasurer-general and chairman of the small and medium-sized enterprises (SMEs) committee at the Associated Chinese Chambers of Commerce and Industry of Malaysia (ACCCIM), a growing number of small and medium enterprises (SMEs) are stepping forward to ask for assistance to cope with their loan repayments due to Covid-19 pandemic. Besides that, they are also compounded by current hurdles such as rising raw material prices, high operating costs and labour shortages, which have led to cash flow issues and forced many businesses to their knees.

A senior banker, who wishes to remain anonymous, tells The Edge that banks may have tightened their lending criteria for SMEs, but not to the extent that the businesses are unable to obtain financing. (The Edge Malaysia, August 11, 2022)

Why do you think the banks are tightening their lending criteria for small and medium-sized enterprises (SMEs)? Discuss **FIVE (5)** of your opinions.

(Total: 25 marks)

## QUESTION 2

The Malaysian Cocoa Board (MCB) chairman Rahimah Majid revealed that the export revenue of cocoa and cocoa products had reached RM3.6 billion as of June 2022. The achievement is due to the high demand abroad and the encouraging prices of cocoa products. The MCB targets that by end of 2022 or the first quarter of next year, and the export revenue could be more than RM7 billion.

Banks should take advantage of the opportunity by extending trade financing to those exporters. Thus, as a credit officer, discuss the trade financing facilities that you would propose to those exporters.

(Total: 25 marks)

**Continued ...**

## QUESTION 3

The FIVE Cs of credit offer lenders a framework to evaluate a loan applicant's creditworthiness. This is to assess how worthy they are to receive a new loan. By considering a borrower's character, capacity to make payments, economic conditions and available capital and collateral, lenders can better understand the risk a borrower poses.

(a) Why character is the most difficult to be assessed by banks in approving a loan? (5 marks)

(b) How do banks assess the character of a corporation? (10 marks)

(c) How do banks assess credit worthiness of a company? (10 marks)

(Total: 25 marks)

## QUESTION 4

Explain the following:

(a) When and why should credit risks assessment to be done. (15 marks)

(b) All lenders work within the concept of 'hurt money'. (3 marks)

(c) Why do lenders not accept encumbered property or asset? (7 marks)

(Total: 25 marks)

**End of Paper**